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BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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MAILING ONLINE SERVICE

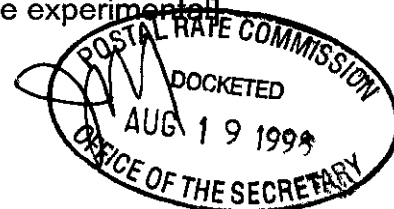
Docket No. MC98-1

RESPONSE OF UNITED STATES POSTAL SERVICE TO  
MOTION OF THE OFFICE OF THE CONSUMER ADVOCATE  
CONCERNING A DATA COLLECTION PLAN  
FOR A MARKET TEST OF MAILING ONLINE  
(August 19, 1998)

The United States Postal Service hereby responds to the Motion of the Office of the Consumer Advocate Concerning a Data Collection Plan For a Market Test of Mailing Online, filed as directed (Tr. 1/43) prior to the close of business on August 17, 1998. In an oral statement from the bench during the prehearing conference, the Presiding Officer directed that the Postal Service respond by noon on August 19, Tr. 1/56.

The Office of the Consumer Advocate (OCA) motion advocates drastic expansion in the types of information to be collected, its level of detail, and the frequency with which it would be reported. The OCA's wish list, while outstripping the requirements of the applicable rule and the information needed to support a recommendation on experimental Mailing Online service, nonetheless contains useful ideas that can be used to improve the data collection plan set forth in Appendices A and B to USPS-T-1.

The Postal Service emphasizes that one of the purposes of a market test is " . . . to develop information necessary to support a permanent [in this case experimental]



change." 39 C.F.R. §3001.161(a). The OCA's argument in support of its wish list fails to connect most of the data it is requesting with this purpose; the Commission's rules in no way suggest that a greater amount of information than is needed to support a permanent change should be required in a market test to support an experiment. In most respects the Postal Service has provided with its filing adequate information to support its proposal for an experimental Mailing Online service.<sup>17</sup> The market test will add certain mail characteristics and customer information to support the experiment, and can provide some additional cost information, as discussed below. However, given the burden, also discussed below, of collecting and reporting the voluminous data requested by the OCA, only data that are needed to evaluate the request for an experimental change should be included in the data collection plan.

The OCA proposes that the data collection plan provide for weekly reporting. Starting from the Postal Service's indication that certain volume and mail characteristics data can be reported weekly (Tr. 1/33-36), the OCA asks that all information from its *expansive data collection plan be reported weekly. The volume and mail characteristics data are collected as each job is processed, with information such as that previously*

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<sup>17</sup> The testimonies, exhibits, and library references of witnesses Seckar, Stirewalt, Rothschild, and Plunkett provide the costing, volume and revenue information needed to support the Postal Service's request for an experimental Mailing Online service. The OCA's claim that the Commission needs data from the market test to "assess the soundness of the Postal Service's cost estimates and revenue projections" suggests incorrectly that a market test is required in conjunction with experimental filings, even when the Postal Service provides cost, volume, and revenue estimates through prefiled testimony. In fact, an experimental filing, proposed for a limited duration, should limit the need for cost, volume, and revenue data, compared to a permanent filing. See, e.g., PRC Op., MC86-1, at 22; PRC Op., MC96-1, at 19.

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provided (see the response to interrogatory OCA/USPS-T1-10 and LR-6/MC98-1) compiled thereafter. Such information is currently compiled every other week, by week, and while that is the schedule the Postal Service would prefer to follow, it can probably accommodate a weekly one as well. However, the Postal Service does not believe that weekly reporting is otherwise useful or feasible, especially for the large amount of data requested by the OCA. The OCA requests data that would require laborious record keeping, the maintenance of extensive log books, and new tracking procedures for expenditures, all at several different locations. While the Postal Service intends to provide as much information as is feasible on a weekly basis, an overall weekly reporting frequency would be unduly burdensome.<sup>2/</sup>

Moreover, the OCA requests a breakdown of data, such as mail characteristics data and numbers of customers, by day of the week. The Postal Service fails to see how day-of-the-week data are necessary to the Commission's evaluation of the experimental Mailing Online proposal, and therefore opposes this onerous data collection and reporting requirement.

In its motion at pages 3-4, the OCA first describes the mailpiece information the Postal Service has indicated in the data collection plan (Appendix A to USPS-T-1) that it will collect and provide, and then specifies the level of detail it would like to see. In particular, the OCA evidences its preference for information reported in the form used

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<sup>2/</sup> Indeed, pursuit of the OCA's approach to the scale, scope, and frequency of data collection would likely also require tracking the cost of data collection, with that cost element perhaps dwarfing all others.

for an exhibit to an interrogatory response (regarding operations test activity) supplemented by a column indicating the number of users or customers per day.

In large measure, the OCA supports the Postal Service data collection plan, thus providing mailpiece characteristics data collected by the Web server. That information can and will be broken down by total transactions, volume, pages, revenue, subclass, shape, page size and envelope type. Breaking these data down further by the number of users per day, however, would provide the Commission with no additional insight into the classification changes and fees proposed for Mailing Online service while adding to the already substantial burden on the contractor responsible for providing those reports.

The OCA's unbounded (by the rules) vision of the information necessary to the Commission's consideration is demonstrated in its request for "ballpark estimates" for volume by the five types of transactions reported in LR-2/MC98-1. Such information about the contents of the mail would be intrusive and impractical to collect, and even if collected successfully, likely useless. The software design does not ask customers to classify their mailings since no services provided to Mailing Online customers require it. There is, moreover, no reason why a customer could not combine multiple transaction types into a mailing.

The Postal Service intent of collecting and reporting "customer reactions" refers largely to customer preferences as expressed in the Mailing Online options they choose. As such, this information would be inherent in the mailpiece characteristics data. Such reactions will also be available from help desk information.

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The value of costing information from the market test help desk to experimental Mailing Online service, or its permanent counterpart, is open to substantial question. Both user comfiture and system performance can be expected to mature, such that help desk costs should diminish significantly over time. At some point in the experiment, moreover, the help desk will be handled by the Postal Service call centers and the handling of call center costs will be standardized across postal services.

How the help function currently operates provides further insight into how information about it can or should be collected. The PostOffice Online user help telephone number now connects to a contractor's site. Accordingly, the contractor fields calls regarding PostOffice Online, and not just Mailing Online. Since PostOffice Online is a channel for accessing various postal products and services, these costs were accordingly not included in the direct case. In the event the contractor help desk fields an inquiry suggesting that the postal Web server is misbehaving, the help desk representative then calls an administrator of the Web site. The costs of fielding Mailing Online help requests are estimated by witness Stirewalt.

The Postal Service agrees that collecting information regarding help desk functions is appropriate. This includes logging specific calls and their nature, which will permit a determination of the portion of PostOffice Online help desk calls that relates to Mailing Online. Tracking and recording the length of each call, however, is unwarranted, and would, in any event, add substantially to the costs of operating the help desk. Logging of calls and their nature will provide sufficient information to develop a recommendation on experimental Mailing Online service. The Postal Service

believes that this information should be reported on an accounting period basis, and certainly not on a weekly basis, since aside from illustrating the kinks in users' learning curves and in system development, the information will be used in the aggregate. Should the Commission prefer reporting every other week during the balance of this calendar year, that could also be accommodated.

The purpose of collecting data is to permit the Commission to treat costs in accordance with the approach employed for other products and services. None of the information the OCA requests be included in the data collection plan for management and administration time meets this test. To the extent identification of such costs is a necessary part of postal ratemaking, it is handled via piggyback factors or the costs are simply treated as institutional. Accordingly, collection of this information – aside from being odiously burdensome, is simply unwarranted.

With respect to processing center, telecommunications and print site expenditures, the Postal Service estimates information systems costs for the experimental period in its direct case. Accordingly, it does not seem unreasonable to report to the Commission the actual costs incurred to the extent they are representative of the experimental period. Only some of these costs, however, bear on Mailing Online; the PostOffice Online Web server costs, for example, will be incurred regardless of the status of Mailing Online, and should accordingly have no bearing on fees for Mailing Online service. Some information systems costs do bear on Mailing Online, in the form of establishing electronic links with each print site. These are estimated in the Postal Service direct case, and actual expenditures should be reported.

As discussed in connection with management and administration costs above, tracking of personnel costs is inappropriate and unwarranted.

Information systems costs are not so volatile or important as to warrant weekly reporting. Accordingly, the Postal Service believes that providing print site-specific costs on an accounting period basis is appropriate.

The Postal Service opposes the OCA's proposal that advertising, promotion, and educational expenses be reported, especially at the level of detail the OCA specifies. As stated in the Postal Service's response to interrogatory OCA/USPS-T1-29(b-c), filed August 17, 1998, there will be no advertising or promotion specific to Mailing Online service. Moreover, the type of educational seminar referred to in witness Wilcox's response to interrogatory OCA/USPS-T7-6 is limited to the operational test phase of Mailing Online. Thus, no such expenses are expected during the market test. In any case, the detailed information requested by the OCA would not be needed by the Commission to evaluate the Postal Service's experimental Mailing Online proposal, since they pertain to a variety of postal products and services and are therefore institutional.

The OCA asks for information that it believes would help anticipate the depth of sort achieved during the experimental phase. In particular, the OCA asks, with respect to each possible category of job characteristics, for the total volume, maximum batch volume, minimum batch volume, and average volume per batch. The Postal Service does not believe that such data would be useful in evaluating the Postal Service's proposal for an experimental Mailing Online service.

First, as discussed in the Postal Service's data collection plan (USPS-T-1, Appendices A and B) and by witness Plunkett (USPS-T-5 at 10-12), the scope of the market test is too limited to provide useful information on depth of sort. The market test would be limited to one printer -- at least through most of this calendar year, and to just a few thousand customers. During the experimental period, moreover, the Mailing Online volume should allow much deeper levels of presortation. The depth of sort achieved during the market test therefore would not be at all representative of the depth of sort to be achieved during the Mailing Online experiment. The Postal Service does plan to collect and provide depth-of-sort information during the experiment, as a means of evaluating whether rate changes should be proposed as part of a request for a permanent service.

The OCA requests that a log be maintained showing the number of instances in which no telecommunications ports are available for incoming Mailing Online jobs, and the length of time for each instance. The Postal Service does not have the capability to obtain this information.<sup>3/</sup> Moreover, given the developmental nature of the market test, this requirement would not provide representative data for the experimental filing, nor any basis for adjusting witness Stirewalt's assumptions for the experimental period.

The OCA further requests that information be reported regarding printer and Web server compliance with contract-based deadlines. The OCA's thrust misunderstands the process.

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<sup>3/</sup> Customer help desk data might provide some information about Mailing Online access problems.



The transmission of files to print sites consists of two distinct processes. During the day, as customers submit jobs, the MOL system transmits the print-image files (as distinct from the address files) to the print sites almost immediately. The image files are tagged for identification and stored at the print site server to await batch instructions. Since the image files are the largest component of the data set necessary to create mailpieces, this spreads the load over the day and maximizes transmission capacity utilization. The second process is the batching and transmission of address files. As customer jobs are submitted and print-image files are transmitted, addresses are routed to batch files according to job specifications and destination. Batch files are closed out at 2:00 PM and ZIP Code presort routines are run; any transaction completed prior to the cutoff will be included in the batch process. These relatively small batch address files are then transmitted to the print sites for use in processing the previously sent and stored image files. No print site processing can occur until these batch files arrive. The printers' contracts specify that:

At the end of the day (not later than 8:00 p.m. Eastern Time), batch instructions will be transmitted to the server for all of the customer jobs submitted that day.

USPS-LR-5/MC98-1 at 7. The OCA's request that a log be kept of jobs and files not transmitted even though received prior to 2:00 PM is unnecessary.

The OCA's suggestion that the Postal Service track printer and Web server compliance with contractual distribution deadlines is not appropriate for the market test. In large measure only one printer will be involved, and postal monitoring will be qualitative and immediate, if problems arise. The Postal Service recognizes that a

more standardized approach to collection of this type of information will be appropriate for the experiment, but the means have yet to be identified.

The OCA's interest in inserting the Commission and participants in this proceeding in the relations between it and the Postal Service contractor(s), OCA motion at 8, is wholly inappropriate. What a contractor feels about a contract is completely irrelevant to its capacity to or interest in providing contracted services.

In conclusion, the Postal Service agrees that its data collection plan for the market test should be amended as indicated above to include actual costs for matters estimated in the case in chief, and help desk logs.<sup>4/</sup>

WHEREFORE, except as indicated above, the Postal Service opposes the OCA's motion.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 19, 1998

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<sup>4/</sup> The logs will first need to have customer-specific information removed.

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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Kenneth N. Hollies

Kenneth N. Hollies

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August 19, 1998